



PRIME MINISTER

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Warwick Beutler asks the Prime Minister first if, in line with what he calls his ninth principle of tax reform, this package has widespread support.

PM: Well, what we were talking about there was a package. Now you would never have a situation where any package you brought down it would be the case that for every single element in the package that you would have broad community support. You really had to have—in regard to the fundamentals of your approach, broad community support. And that is why Option C failed the test of principle nine because quite clearly a broad based consumption tax was a central element of that approach. And it was quite clear there wasn't broad community support for that. Now as far as the capital gains tax in this package is concerned, it is much different from the sort of capital gains that was talked about and contemplated by many people. And it is our judgment that as a part of the overall package it will be acceptable.

BEUTLER: It still does not impress too many people. The initial reactions aren't all that favourable. The National Party says, for example, that it will depress

PM: The National Party

BEUTLER: Well, yes, but

PM: Come on, the people who advocate flat tax. We are not suggesting are we, that we take the National Party seriously. The Liberal Party doesn't take the National Party seriously, the National Farmers Federation doesn't take them seriously. There is virtually no one in the country that takes them seriously so don't ask me to take seriously an organisation which is - there is no one else in the country that takes them seriously.

BEUTLER: Well, let's talk about the National Farmers Federation. Then they're not terribly pleased with the capital gains tax. They say it will depress rural land values.

PM: They are wrong because what you have got to appreciate is that the farmers were talking about a situation where existing assets would be covered. They were talking before about the disastrous impact of deeming at death. Now neither of those situations apply. What people will understand, I believe, and

accept is that while this very modified tax was brought in in terms of revenue gain, what we have done is to put in a capital gains tax which by its very existence will mean that we have brought in an important element in stopping tax avoidance.

BEUTLER: Would you shed too many tears if the Democrats in the Senate scuttled the capital gains tax proposal?

PM: I don't believe that the Democrats in the Senate would do that. You are talking about an entirely hypothetical position indeed. I have only had the opportunity to this point of reading the press release by Don Chipp and I don't draw the conclusion from what he has said that that's what they would do.